

Message Text

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ACTION EUR-25

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 7760

INFO AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY HELSINKI

AMEMBASSY LONDON

USMISSION NATO

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USDEL SALT TWO II

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 3761

E. O. 11652: N/ A

TAGS: PFOR, PINT, EGEN

SUBJ: IMPLICATIONS FOR US- SOVIET RELATIONS IF MFN DEFEATED

1. SUMMARY: CURRENT SOVIET EFFORTS TO COPE WITH MAJOR ISSUES
REVOLVING AROUND MF, CREDITS AND EMIGRATION ARE WORTH CAREFUL
EXAMINATION. THEY SUGGEST THAT WHILE SOVIETS PLACE GREAT IMPOR-
TANCE ON MFN, CREDITS MAY BE EVEN MORE IMPORTANT, BOTH
ECONOMICALLY
AND AS PSYCHOLOGICAL CUSHION IN EVENT MFN LEGISLATION FAILS.
FAILURE OF MFN FOLLOWING SOVIET " CONCESSIONS" ON EDUCATION
TAX WOULD LEND FUEL TO CRITICS OF BREZHNEV' S POLICY OF
ACCOMMODATION WITH U. S. EMOTIONAL REACTIONS, INCLUDING FACTORS
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OF PRESTIGE AND PRIDE, COULD ALSO PLAY ROLE BUT ARE DIFFICULT TO MEASURE. IN SHORT, THE IMMEDIATE EFFECT ON US-SOVIET RELATIONS OF FAILURE TO EXTEND MFN WOULD BE DISTINCTLY NEGATIVE. WE THINK, HOWEVER, THAT BREZHNEV IS TOO STRONG TO BE UNSEATED EXCEPT BY STAR-CROSSED COMBINATION OF EVENTS, AND THAT HE WOULD ONLY IN EXTREMITY BE PERMANENTLY DIVERTED FROM CURRENT POLICY TOWARD THE U. S. IN OUR VIEW THIS SITUATION ARGUES FOR CONTINUING DIALOGUE WITH CONGRESS PRESSING FOR PASSAGE OF MFN LEGISLATION WHILE MAINTAINING CAUTIOUS LINE WITH SOVIETS REGARDING MFN PROSPECTS. AT SAME TIME, THIS DIALOGUE SHOULD CALL ATTENTION TO OVERALL DISADVANTAGES OF APPLYING POLITICAL CRITERIA TO EXTENSION OF CREDITS TO USSR. END SUMMARY.

2. DEVELOPMENT OF SOVIET EXPECTATIONS.

A. ONCE U. S. ACCEPTED PRINCIPLE OF ROUGH STRATEGIC PARTIY, U. S. TREATMENT OF USSR AS AN "ECONOMIC EQUAL" ASSUMED HIGH POLITICAL PRIORITY FOR MOSCOW.

B. ECONOMIC SETBACKS IN AGRICULTURE AND INDUSTRY THIS PAST YEAR HAVE ONLY SHARPENED LEADERSHIP CONCERN OVER THE GROWING SOVIET TECHNOLOGICAL LAG. SETBACKS ALSO ENHANCED BOTH MOSCOW'S INTEREST IN OBTAINING U. S. COOPERATION TO NARROW THAT GAP, AND ITS SENSITIVITY ABOUT ADMITTING NEED FOR EXPANDED ECONOMIC RELATIONS.

C. WE ASSUME THAT HIGH PRIORITY ATTACHED TO ACCOMMODATION WITH THE U. S.--DESPITE VIETNAM--ENCOUNTERED SOME SKEPTICISM AND OPPOSITION FROM DOCTRINAIRE ELEMENTS IN PARTY. QUESTION OF HOW AUTARKIC OR INTERDEPENDENT THE SOVIET ECONOMY SHOULD BE IN THE FUTURE MUST ALSO HAVE BEEN SUBJECT OF SOME DEBATE. ONCE DECISION WAS MADE, IT WAS NOT SURPRISING THAT, AFTER THE MAY SUMMIT, SOVIET MEDIA AND SPOKESMEN SHOULD POINT TO THE PROMISE OF PROFITABLE ECONOMIC RELATIONS WITH U. S. AS ONE OF IMPORTANT JUSTIFICATIONS FOR DEALING WITH AMERICANS. WHATEVER ITS MOTIVATION, EFFECT OF THIS SOVIET PROPAGANDA LINE HAS BEEN TO BUILD EXPECTATIONS.

D. EFFORTS BY SOVIET OFFICIALS TO ENCOURAGE BUSINESS LOBBY IN U. S. TO OFFSET PRESSURE OF THOSE SUPPORTING JACKSON AMENDMENT HAVE INVOLVED ARTICLES AND COMMENTARIES IN SOVIET PRESS POINTING UP EXTENT OF AMERICAN BUSINESS INTERESTS IN THE SOVIET MARKET. AGAIN, EFFECT HAS BEEN TO BRIGHTEN EXPECTATIONS, NOTWITHSTANDING PARALLEL WARNINGS ABOUT EXISTENCE OF "CIRCLES" IN U. S. OPPOSED TO DETENTE AND IMPROVED ECONOMIC RELATIONS.

E. SOVIET PRESS HAS PUT RESPONSIBILITY FOR CARRYING OUT
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ECONOMIC AGREEMENT SQUARELY ON U. S. SHOULDERS. TASS ANNOUNCEMENT FOLLOWING CONCLUSION OF SHULTZ VISIT HERE EMPHASIZED THAT SECRETARY SHULTZ " IN NAME OF PRESIDENT" AFFIRMED TO BREZHNEV " USA INTENTION TO ACHIEVE THOSE GOALS IN AREA OF COMMERCIAL- ECONOMIC TIES WHICH WERE AGREED UPON IN MAY 1972.

F. IT CURRENTLY SERVES SOVIET LEADERSHIP PURPOSES TO DEPICT PRESIDENT NIXON AS A MAN WHO KEEPS HIS WORD AND WILL FIND WAY TO CARRY OUT ECONOMIC COMMITMENTS. WE GATHER IMPRESSION THAT MANY SOVIET OFFICIALS STILL BELIEVE JEWISH EMIGRATION ISSUE IS ESSENTIALLY ARTIFICIAL AND THAT ADMINISTRATION AND " WALL STREET" PRESSURE CAN BRING CONGRESS TO HEEL.

3. REACTION TO CONGRESSION REJECTION.

INF MFN IS DENIED DESPITE RECENT SOVIET BACK- PEDALLING ON EDUCATION TAX, THERE WILL BE TENDENCY TO DRAW SWEEPING CONCLUSIONS ABOUT U. S. POLICY FROM CONGRESSIONAL ACTIONS. CRITICS OF DETENTE POLICY COULD WELL RECALL THEIR WARNING THAT USSR WILL BE " TAKEN" IF IT GETS TOO INVOLVED WITH " U. S. IMPERIALISM," THAT SUMMIT DECISIONS WERE ESSENTIALLY A NIXON PRE- ELECTION MANEUVER, ETC. SOME SOVIETS WILL INTERPRET ACTION AS CONCRETE REFLECTION OF " COLD WAR AND ANTI- SOVIET" FEELING IN U. S.

A. IMPACT WOULD OBVIOUSLY DEPEND ON NATURE OF LEGISLATION. CREDITS ARE BASICALLY MORE IMPORTANT TO USSR THAN MFN IN STIMULATING TRADE. CONGRESSIONAL DECISION DENYING MFN WOULD LEAVE SOUR TASTE BUT EFFECTS COULD BE TEMPERED BY CONTINUING ACCESS TO CREDIT AND BY UNDERSTANDING THAT REQUEST FOR MFN WOULD BE REINTRODUCED IN CONGRESS AT MORE FAVORABLE TIME.

B. KOSYGIN' S REPORTED COMMENT TO BRANT IN AUGUST 1970 ABOUT U. S. ECONOMIC POLICY (" THEY DON' T LIKE US AND WE DON' T NEED THEM") SUGGEST LOGICAL REACTION IF CREDIT AS WELL AS MFN IS REFUSED: AN INCREASED EMPHASIS ON BUSINESS DEALS WITH WESTERN EUROPE AND JAPAN.

C. IN SOME AREAS (E. G., FEED GRAINS, HIGHLY SOPHISTICATED EQUIPMENT) SOVIETS WILL STILL NEED TO PURCHASE FROM U. S. BUT IN MANY AREAS PRESENT SOVIET INTEREST IN " BUYING AMERICAN" REFLECTS DESIRE TO STRENGTHEN POLITICAL BASIS OF RELATIONS, RATHER THAN ABSOLUTE NECESSITY. LOSS TO U. S. FROM DIVERSION OF BUSINESS TO COMPETITORS DUE TO LACK OF CREDITS AND MFN COULD AMOUNT OVER SEVERAL YEARS TO BILLIONS OF DOLLARS.

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ACTION EUR-25

INFO OCT-01 ADP-00 PM-09 NSC-10 SS-15 RSC-01 CIAE-00

INR-10 NSAE-00 DODE-00 EB-11 COME-00 STR-08 TRSE-00

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R 051500 Z APR 73
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 7761
INFO AMEMBASSY BELGRADE
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AMEMBASSY LONDON
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4. IMPACT ON BREZHNEV.

A. GIVEN BREZHNEV' S PERSONAL IDENTIFICATION WITH EFFORT TO IMPROVE US- SOVIET RELATIONS AND PLANS TO VISIT U. S. THIS YEAR, CONGRESSIONAL DENIAL OF MFN WOULD REPRESENT POLITICAL SETBACK AND ENCOURAGEMENT TO HIS CRITICS. FROM SOVIET STANDPOINT, DAMAGE WOULD BE EVEN WORSE SHOULD LEGISLATION HAVE EFFECT OF GRANTING MFN TO CHINA AND EASTERN EUROPE BUT NOT TO USSR. BREZHNEV IS IN STRONG POSITION AND IT WOULD TAKE UNUSUAL AND ILL- FATED COMBINATION OF CIRCUMSTANCES (ANOTHER DISASTROUS AGRICULTURAL YEAR, NEW SHORTFALLS IN INDUSTRY, UNREST IN EASTERN EUROPE, SETBACK IN SALT) ADDED TO SETBACKS IN U. S. POLICY BEFORE HIS OPPONENTS COULD SERIOUSLY THREATEN HIM. WE CANNOT IDENTIFY AT THIS MOMENT ANY
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CHALLENGING GROUP WITH ALTERNATIVE STRATEGY BUT LEADERSHIP CHANGES IN THIS SOCIETY COME WITH LITTLE WARNING. POTENTIAL FOR SERIOUS OPPOSITION REMAINS SO LONG AS BREZHNEV FEELS IT UNWISE OR IMPOSSIBLE TO REMOVE VIGOROUS, YOUNGER OFFICIALS LIKE SHELEPIN, VORONOV, OR EVEN POLYANSKIY WHO HAVE FALLEN OUT OF FAVOR.

B. BREZHNEV NEED NOT BE UNSEATED, HOWEVER, FOR CHANGE

OF POLICY TO OCCUR. HE WILL CHANGE COURSE HIMSELF IF HE FEELS HIS POLICY TOWARD U. S. HAS BECOME VULNERABLE POLITICALLY AND ECONOMICALLY. WITHOUT THE PROSPECT OF CREDITS, HE MIGHT WELL PLAY THE EUROPEAN CARD MORE FULLY AND TOUGHEN HIS STANCE TOWARD THE U. S. IT WOULD ALSO BE IN CHARACTER FOR HIM TO TAKE OTHER DOMESTIC AND EXTERNAL MEASURES TO APPEASE DOCTRINAIRE CRITICS.

5. IMPACT ON SOVIET JEWRY.

A. THE MOST OBVIOUS VICTIMS OF SOVIET FRUSTRATION COULD BE THE SOVIET JEWS. TO THE EXTENT THE REGIME JUDGES IT HAS LITTLE FURTHER TO LOSE BY ANTAGONIZING THE CONGRESS, THE JEWS MIGHT WELL FEEL STEPPED- UP ABUSE FROM ANTI- SEMITIC OFFICIALS WHO WOULD QUICKLY SENSE A CHANGE OF POLITICAL ATMOSPHERE.

HOWEVER,

A JUDGEMENT THAT PROSPECTS IN CONGRESS WERE GOOD FOR REVERSAL OF A NEGATIVE DECISION ON MFN WOULD PROBABLY LEAD REGIME TO REACT CAUTIOUSLY WHILE AWAITING OUTCOME.

B. ANY MAJOR CUTBACK IN EMIGRATION AND OTHER REPRESSIVE MEASURES MIGHT IN TURN PROVIDE JEWISH DEFENSE LEAGUE WITH RENEWED PRETEXT FOR ACTION, PROVOKING FURTHER DETERIORATION IN ATMOSPHERE OF U. S.- SOVIET RELATIONS.

6. CREDIT

UNUSUALLY HEAVY SOVIET PUBLICITY GIVEN TO EX- IM BANK CREDITS (INCLUDING ONE- THIRD PAGE ARTICLE IN PRAVDA APRIL 3 BY DEP. MINISTER FOREIGN TRADE, ALKHIMOV) UNDERLINES THE IMPORTANCE TO SOVIETS OF BEING ABLE TO POINT TO CREDIT AS CONCRETE BENEFIT OF BETTER RELATIONS WITH U. S.

7. TEMPERING THE IMPACT.

UNDEER THE BEST CIRCUMSTANCES, THE TONE OF US- SOVIET RELATIONS WOULD BE ADVERSELY AFFECTED BY DENIAL OF MFN. NEGATIVE IMPACT COULD BE TEMPERED, HOWEVER, BY ACTIONS ON EACH SIDE.

A. ON SOVIET SIDE, BREZHNEV HAS REASON TO MINIMIZE SCALE OF PERSONAL SETBACK AND TO AVOID LETTING IRRITATION IN US- SOVIET
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RELATIONS ADVERSELY AFFECT THE GENERAL CLIMATE OF EAST- WEST NEGOTIATIONS. (THIS ASSUMES THAT A COMBINATION OF FAILURES HAS NOT CAUSED USSR TO SHIFT TO MORE DOCTRINAIRE, INWARD- LOOKING POLICY.)

B. ON ADMINISTRATION SIDE, SERIES OF STEPS COULD BE TAKEN. MOST IMPORTANT WOULD BE TO SALVAGE CREDITS. CONTINUING FRANK DISCUSSION OF CONGRESSIONAL SITUATION BETWEEN HIGH U. S. AND SOVIET OFFICIALS WOULD BE ESSENTIAL. WAYS MUST BE FOUND TO ENSURE THAT BREZHNEV'S VISIT TO U. S. TAKES PLACE IN CONSTRUCTIVE ATMOSPHERE WITH SOME EVIDENCE OF SUCCESS. IT IS ALSO IMPORTANT THAT MOMENTUM OF PRODUCTIVE DIALOGUE

SET IN MOTION LAST MAY BE MAINTAINED IN ALL AREAS OF ONGOING
COOPERATION, INCLUDING PRODUCTIVE BILATERAL RELATIONSHIP
AT MULTILATERAL CONFERENCE. PRACTICAL ACHIEVEMENT IN AREAS
OF SOVIET NATIONAL INTEREST WILL STRENGTHEN THE HAND OF THOSE
LEADERS WHO MIGHT ARGUE FOR SWALLOWING PRIDE, MINIMIZING
CONGRESSIONAL AFFRONT AND NOT BURNING BRIDGES.
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